

STATE OF MARYLAND

**MARYLAND DEPARTMENT OF THE ENVIRONMENT**

**Shari T. Wilson, Secretary**

**BILL NO: HB 72**

**COMMITTEE: Environmental Matters**

**POSITION: Support**

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**TITLE: Department of the Environment - Oil and Gas Production Permits - Fees**

**BILL ANALYSIS:** This bill would provide for the creation of an Oil and Gas Fund for the collection of certain oil and gas permit and production fees. It would authorize the Department to establish and collect fees for the issuance and renewal of a permit to drill any well for the exploration, production, or underground storage of gas or oil in the State and for the production of oil and gas wells installed after October 1, 2010. The Department would be authorized to use the Fund to administer and implement programs to oversee the drilling, development, production, and storage of oil and gas wells, and other requirements related to the drilling of oil and gas wells, including costs incurred by the State. The Department would be required to report annually to the General Assembly on the status of the Fund, the efficiency and compliance rates within the Program, and the necessity to review and adjust the fee. The bill would authorize the Department to adopt regulations to carry out the program and to establish procedures for imposing and collecting the fees.

**POSITION AND RATIONALE:** The Department seeks this legislation in order to protect public health and the environment from impacts from oil and gas drilling in Maryland. The Department expects to receive approximately 40 permit applications per year for construction of gas wells as a result of improvements in oil and gas drilling technology and regional interest in drilling in the Marcellus Shale. The fee is necessary for the review of permit applications to ensure public health and ground and surface waters of the State, including drinking water, are protected during drilling and production of gas wells.

The Department currently has no staff to review this anticipated increase in new applications or to respond to the issues and concerns that may arise from existing wells and the drilling in the Marcellus Shale. The estimated cost of implementing the oil and gas production well regulations is projected to average over \$155,000 annually for the next five years. The Department would establish a fee in regulation necessary to pay for the costs of hiring technical staff to manage projects from permit review to the installation and operation of production wells, and administrative staff to provide support and track revenues and expenditures from this program. The revenue generated by the fee is needed to implement the oil and gas production well regulatory requirements and will allow the Department to meet the expected increased workload and respond to questions and concerns from the public. The fee would be adjusted up or down as necessary to cover the Department's costs.

**FOR MORE INFORMATION,**  
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